

Agency Activity Inventory
by Agency
Appropriation Period: FY 2006-07

Agency: R20 - Department of Insurance

Functional Group: Transportation &
Regulatory

1336 Solvency Monitoring

Monitor the solvency of domestic insurers and Health Maintenance Organizations (HMO) to detect as early as possible those insurers and HMOs which are financially impaired so that appropriate action can be taken to protect policyholders (Chapter 13 of Title 38).

FY 2006-07

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$2,332,995	\$486,499	\$0	\$0	\$0	\$1,846,496	20.20

Expected Results:

Detect financially-impaired insurers and HMOs in a timely manner and take action to prevent or limit loss to policyholders.

Outcome Measures:

Completed 18 financial examinations and performed quarterly and annual financial statement analyses on all of South Carolina's 59 domestic insurance companies. Received five-year re-accreditation status from the NAIC in May 2006, affirming the Financial Services area is in compliance with NAIC insurance company solvency monitoring guidelines.

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1337 Licensing

Review applications and issue licenses to those entities that have met the requirements for licensing (Chapters 43 through 53 of Title 38). Administer Continuing Education Program.

FY 2006-07

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$832,273	\$148,035	\$0	\$0	\$0	\$684,238	13.00

Expected Results:

Accurately issue licenses in a timely manner.

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Outcome Measures:

Issued producer licenses within 24 to 72 hours of receipt of properly completed paperwork. A total of 51,042 new licenses were issued during the last fiscal year. After reviewing financial statements and other pertinent information, the Financial Services area issued 39 licenses to foreign insurers, 9 licenses to eligible surplus lines insurers, 2 licenses to domestic HMOs, and 1 license to a foreign HMO.

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1338 Taxation

Audit premium and broker tax returns and collect insurance taxes as prescribed by the insurance statutes (Chapters 7 and 45 of Title 38).

FY 2006-07

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$112,966	\$112,966	\$0	\$0	\$0	\$0	1.00

Expected Results:

Accurately collect taxes as prescribed by the insurance statutes.

Outcome Measures:

Collected insurer and broker premium taxes on a quarterly basis and deposited to the general fund. Audited all returns and balanced taxes to the general ledger by June 30. 1,586 licensed insurers and 129 captive insurers were timely audited during the year. Audits resulted in approximately \$1,233,715 in additional tax collections. Audited and collected taxes for 187 brokers writing business through surplus lines insurers. Taxes and fees collected by the taxation section amounted to approximately \$147 million.

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1339 Consumer Services

Assist consumers with insurance-related problems and provide public information on consumer insurance issues (38-13-70).

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Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$877,508	\$877,508	\$0	\$0	\$0	\$0	11.50

Expected Results:

Assist consumers in a timely manner and provide public information as funding is available.

Outcome Measures:

Responded to and resolved consumer requests relating to insurance issues to include unfair sales and advertising practices, underwriting and claims handling practices. Approximately 2,598 written complaints, 66,671 telephone complaints/inquiries and 213 walk-ins were handled during the last fiscal year. Additionally, 200 legislative/constituent requests for assistance were handled.

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1340 Form and Rate Review

Ensure that policy forms are in compliance with SC laws and regulations. Ensure that rates are not excessive, inadequate, or unfairly discriminatory (Chapters 55 through 73 of Title 38).

FY 2006-07

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$753,974	\$753,974	\$0	\$0	\$0	\$0	8.80

Expected Results:

Insurers issue policies that are in compliance with SC laws and regulations. Timely approve or disapprove rate requests.

Outcome Measures:

Protected insurance consumers by ensuring that forms are in compliance with the laws and regulations of SC and do not contain provisions that are unfair, deceptive, misleading or discriminatory. Approximately 11,612 rates and forms were processed during the last fiscal year. Reviewed rates to ensure that they are reasonable, not excessive or inadequate, and not unfairly discriminatory.

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1341 Pass Through Funds

Administer uninsured motorists' fees and fines as required or allowed by statute (Chapter 10 of Title 56 and 38-77-151 through 155).

FY 2006-07						
Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$2,555,000	\$0	\$0	\$0	\$0	\$2,555,000	0.00

Expected Results:

Funds budgeted to pass through to the SC Reinsurance Facility to offset losses of the facility are \$200,000. Budgeted funds of \$2,155,000 are designated to be distributed to insurance companies to reduce uninsured motorists' premiums. Budgeted funds of \$200,000 are designated for certain activities to reduce the number of uninsured motorists.

Outcome Measures:

Assessments against insurance companies to offset Reinsurance Facility losses have been reduced by distributions to the Facility. Distributions to the Reinsurance Facility were \$182,314 in FY 2006. Distributions to insurance companies to offset uninsured motorists' premiums were \$999,944 in FY 2006. Remaining expenditures were used to offset general fund budget cuts under proviso 72.47.

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1342 Captive Formation

Facilitate the formation and regulation of captive insurance companies domiciled in SC (Chapter 90 of Title 38).

FY 2006-07						
Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$1,724,219	\$298,806	\$0	\$0	\$0	\$1,425,413	10.00

Expected Results:

License captive insurance companies using guidelines established by statute. Through proper analysis, the Department reviews financial and other pertinent information submitted by captive insurers applying for license to ensure that each company will be able to meet financial responsibilities to its policyholders.

Outcome Measures:

150 captive companies have been licensed since passage of captive-enabling legislation, resulting in \$2,274,195 in premium taxes for the general fund during FY 06. 21 new captive licenses were issued last year. Completed 6

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financial examinations and performed quarterly and annual financial statement analyses on all domestic captive insurance companies.

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1344 Executive Services

Provide information and assistance to, and coordinate activities with, the public, government entities, and other outside parties. Administer grants. Perform special projects. (38-1-20(16). Manage the day-to-day operations of the agency.

FY 2006-07

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$409,817	\$409,817	\$0	\$0	\$0	\$0	4.00

Expected Results:

Provide requested information and assistance in a timely manner. Administer grant programs in accordance with applicable law and regulations. Maintain efficient coordination of activities with other agencies and outside parties.

Outcome Measures:

Effectively and efficiently managed the day-to-day operations of the agency; provided assistance to legislators and their constituents; successfully managed grants received by the agency; facilitated all NAIC projects, meetings, and conferences; and handled all media contacts within properly-established timeframes.

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1345 Legal and Investigations

Initiate enforcement or administrative disciplinary action against entities charged with violating insurance laws. Draft legal documents and legislation. Provide advice and counsel to outside parties and internally with regard to insurance laws. (38-13-70, 38-25-520)

FY 2006-07

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$831,894	\$831,894	\$0	\$0	\$0	\$0	8.75

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Expected Results:

Accept service of process, respond to FOIA requests, provide formal interpretation of SC insurance law, investigation of violations of SC law, impose administrative disciplinary action where necessary, and represent the agency in various state and federal proceedings.

Outcome Measures:

The legal division received 4,125 summons and complaints in civil actions to be served on insurers transacting business in SC, responded to 224 FOIA requests, handled 63 requests for interpretation of SC insurance law, closed 450 investigation files resulting in \$269,803.30 in administrative fines for the general fund, and represented the agency in 9 cases brought before the Administrative Law Judge during the last fiscal year.

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1346 Administration

Develop and maintain state administrative and accounting policies for payroll, travel, human resources, accounting, and reporting. Policies incorporate federal and state regulations, as well as national accounting standards. Also, maintain an efficient and customer-friendly central file operation. The fiscal unit also monitors financial data for compliance with policies.

FY 2006-07

Total	General Funds	Federal Funds	Supp. Funds	CRF	Other Funds	FTEs
\$1,684,066	\$514,413	\$0	\$0	\$996,000	\$173,653	16.75

Expected Results:

Maximize the value of the state's investments in financial and administrative systems. Streamline business processes to make it easier for state employees to perform their jobs. Provide easy, timely access to valuable information to improve decision-making and operational effectiveness.

Outcome Measures:

Provided administrative services in support of the agency's mission in a professional, qualitative, and responsive manner which emphasized efficiency and cost-effectiveness. Managed salaries and benefits for 94 FTEs. Also, maintained agency-wide computer system.

EXPLANATION:

The Department received an appropriation from the capital reserve fund to implement an electronic workflow and document imaging system to reduce the current paper intensive review and filing systems currently maintained.

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AGENCY TOTALS

Department of Insurance

TOTAL AGENCY FUNDS	TOTAL GENERAL FUNDS	TOTAL FEDERAL FUNDS	TOTAL OTHER FUNDS
\$12,114,712	\$4,433,912	\$0	\$6,684,800
	TOTAL SUPPLEMENTAL FUNDS	TOTAL CAPITAL RESERVE FUNDS	TOTAL FTEs
	\$0	\$996,000	94.00